



U.S. Department of Agriculture  
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### *Permanent Normal Trade Relations with China* **What's at Stake for New Mexico?**

New Mexico produces and exports agricultural and wood products. The state's farm cash receipts and forest product shipments totaled \$2 billion in 1998 and \$276 million in 1996, respectively. As for exports, the value of agricultural products leaving the state was estimated at \$74 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

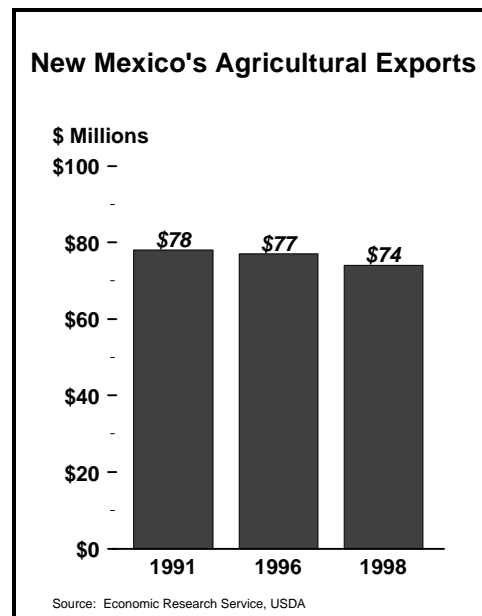
#### **Trade Benefits**

The following key products are important to New Mexico, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

**# Feed Grains**—New Mexico's coarse grain and product exports worldwide were estimated at \$19 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

**# Cotton**—New Mexico's cotton exports worldwide were estimated at \$15 million in 1998. China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1-percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In 1998, China imported less than 200,000 metric tons of cotton from all countries.

**# Beef**—With a large portion of its farm receipts coming from the cattle industry, New Mexico's live animal and meat exports were estimated at \$13 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef and from 45 percent to 25 percent on chilled beef by 2004. Tariffs on variety meats will be lowered from 20 percent to 12 percent. There will



be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef from the United States that is accompanied by a USDA certificate of wholesomeness.

**# Solid Wood Products**—The lumber industry is also important to the state's economy. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.